Wedge Savings Initatives

(revision to guidance letter)

Additional guidance for submitting wedge savings initiatives, including wedge savings targets for FY 2001 - FY 2005, is provided in enclosure (5). The FY 03 budget must reflect the targets in attachment (A). Any additional savings generated as a result of division initiatives should be applied to investments identified in the business plan.

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

1. Wedge savings targets for FY 01 through FY 05 are provided in attachment (A). They are the savings identified in the Division's FY 02 budget submissions and have been updated to reflect FY 00 actuals. These savings are incorporated in the NOR target for FY 01 and the stabilized rates for FY 02. The FY 03 amounts should be reflected as reductions in total cost in this year's budget submission.

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

2. FY 03 budget submissions must reflect the targets in attachment (A). Any additional savings generated as a result of division initiatives should be applied to investments identified in the business plan.

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

3. **Budgeted wedge savings will be documented in the reconciliation exhibits (the FUND 6 Reconciliation of Cost and the FUND 24 Reconciliation of FTE), in conjunction with the PB-42. Since wedge savings assume a constant workload from FY 2000 – FY 2005, changes in workload from the baseline will mask the cost savings attributable to the wedge. The reconciliation exhibits document workload changes in addition to cost increases attributable to things like NMCI, force protection, etc. Therefore the reconciliation exhibits will be used to display both the wedge reductions and other workload and cost changes.**

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

4. **Savings from initiatives designed to achieve the infrastructure reductions mandated by Section 912C approximate those necessary to liquidate the wedge and should be applied to the wedge. This means that when you achieve the savings required to liquidate the wedge you have also achieved the savings required by Section 912C.**

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

5. *In this budget submission, continue to budget for reduced personnel using the following assumptions:*

Wedge Savings Targets FY 2003 NWCF Budget

5.a. *The A-76 component is derived from positions you classified as appropriate for study in the FY 98 Commercial Activities Inventory; these positions are documented in the 40-40-20 plan. Assumptions are as follows:*

30% of positions studied will be eliminated.

An escalated average salary was applied to the positions eliminated.

Study costs were calculated to be $2000 per position studied.

Separation costs were calculated to be:

FY99	FY00	FY01	FY02	FY03	FY04	FY05
36,164	36,752	37,297	37,862	38,449	39,060	39,694

5) Study period is 18 months for a single function study and 30 months for a multi-function study.

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

5.b. *For BPR savings the assumptions are as follows:*

20% of positions studied will be eliminated.

An escalated average salary was applied to the positions eliminated.

Study costs were calculated to be $4000 per position studied.

Separation costs were calculated to be:

FY99	FY00	FY01	FY02	FY03	FY04	FY05
36,164	36,752	37,297	37,862	38,449	39,060	39,694

The time to study for BPR is two years.

Wedge Savings Targets FY 2003 NWCF Budget Enclosure (5)

6. Also in the PB-42 exhibit of the budget, clearly delineate gross savings attributable to A-76 and BPR, the associated investment necessary to achieve those savings, and the net savings. Please incorporate the lesson learned from Crane and do not underestimate the cost of retraining, separations, etc. the people affected by the redesigned process.